BELT AND ROAD INITIATIVE
CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC)

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Consul General of Pakistan
Hong Kong SAR
Pakistan Factsheet

India 3,190 km
Afghanistan 2,670 km
Iran 959 km
China 438 km
Geography

- Population 204 Million
  - (Ranking 6)
  - 60% is below 25 years

- Area 803,940 sq-Km
  - Ranking 35
Fact Sheet

- Islamic Republic of Pakistan
- Federalism
- Parliamentary Democracy
- 4 Provinces and Federal Territories
- Common Law System
Economy

- GDP US$ 305 billion
  - Ranking 25
- GDP Growth 5.3%
  - Ranking 5
- GDP Per Capita
  - $5,300
Climate

mostly hot, dry desert; temperate in northwest; arctic
Pakistan China Relations

- Pakistan was among the first countries to end official diplomatic relations with the Republic of China or Taiwan and recognize the PRC.
- Diplomatic relations were established in 1950, boundary issues solved in 1963, military assistance began in 1966, a strategic alliance was formed in 1972 and economic co-operation began in 1979.
- Maintaining close relations with China is a central part of Pakistan's foreign policy.
Opening up of China
Belt & Road Initiative

- "China has embarked on history’s most ambitious foreign infrastructure plan. Under the Belt and Road Initiative, it is building bridges, railways, and ports in Asia, Africa, and beyond. If the initiative’s cost reaches a trillion dollars, as predicted, it will be more than seven times that of the Marshall Plan”

- 74 countries, two thirds of world population, one third of global GDP and quarter of all goods and services traded
BRI Map

China’s Vision

- Pipelines
- Land Corridors
- Maritime Corridors
BRI Corridors

1. China - Pakistan Economic Corridor
2. China - Mongolia - Russia Economic Corridor
3. Bangladesh - China - India - Myanmar Economic Corridor
4. New Asia-Europe Continental Bridge
5. China - Central Asia - West Asia Economic Corridor
6. China - Indochina Peninsula Economic Corridor
Introduction to CPEC
Gawadar Economic Zone

Pakistan signs 43-year port lease with China

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BRI Financing Structure

Chinese Grants

Chinese Loans

Private Equity
BRI Features

- Expanding the market: Easier access to Chinese products
- Project China’s power and influence (political, economic and financial)
- Creating regional growth
- Creating land and maritime link to developing neighboring countries and beyond
- Lower cost of transportation
- Ensure Energy/resource security
- Develop western regions of China
BRI Myths

- China is aggressively reaching out to countries with readymade projects
- BRI projects are for Chinese companies and Chinese workers
- BRI is for China’s overcapacity in construction related goods
- BRI projects financing is at exorbitant interest rates due to risk premium
- China will take over assets if recipients unbale to repay debt
Concerns

- Is China becoming the new global power
- If yes, will its ascent be peaceful
  - BRI clearly indicates China’s ambitions
  - BRI is an effort and desire to integrate itself in current global economic order
Recent Developments

- Election of Donald Trump & America First Policy
  - On his third day in office, he withdrew from the Trans-Pacific Partnership
  - Travel Ban from Muslim Countries
  - Withdrawal from Paris Agreement
  - Budget cut for foreign assistance by forty-two percent, or $11.5 billion
  - reducing U.S. contributions to the U.N. by forty percent, and pressured the General Assembly to cut six hundred million dollars from its peacekeeping budget
  - Protective Tariffs
China’s Approach

- China has never seen such a moment, when its pursuit of a larger role in the world coincides with America’s pursuit of a smaller one
  - Increasing investments to project global power & influence: foreign aid, overseas security, most advanced new technologies, such as artificial intelligence
  - Leading contributors to the U.N.’s budget and to its peacekeeping force
  - Leadership role to address global problems such as terrorism, piracy, and nuclear proliferation
  - Aggressively negotiating FTAs
Criticism on BRI

- Colonialism/Imperialism
- Influx of Chinese population
- Infant industry competition
- Debt burden
- Corruption
BRI Funding

- Up to US$240 billion fund for BRI related projects:
  - China’s Silk Road infrastructure fund: US$40 billion
  - Asian Infrastructure Investment Bank (AIIB): US$100 billion
  - New Development Bank of the BRICS countries (NDB): US$100 billion
CPEC - Institutional Structure

Joint Cooperation Committee

(Co-Chaired by Minister PDR and Vice Chairman NDRC)

- Planning Joint Working Group
- Energy Joint Working Group
- Transport Infrastructure Joint Working Group
- Gwadar Joint Working Group
- Industrial Parks/Economic Zones Joint Working Group (To be formulated)
CPEC - Timeframe

**Short Term**
- 2014-2020

**Medium Term**
- 2020-2025

**Long Term**
- 2025-2030
Trade Convoy - 13th Nov. 2016
Opportunities in Pakistan

- CPEC
- Parallel Economic Activity
  - Allied Opportunities of CPEC Projects
  - Projects outside CPEC
## Proposed Special Economic Zones

<table>
<thead>
<tr>
<th>Region</th>
<th>No of SEZs</th>
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<tbody>
<tr>
<td>Khyber Pakhtunkhwa (KP)</td>
<td>17</td>
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<tr>
<td>Balochistan</td>
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<td>Sindh</td>
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<td>Punjab</td>
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<td>Gilgit-Baltistan</td>
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<td>Islamabad Capital Territory</td>
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<tr>
<td>AJK</td>
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<tr>
<td>FATA</td>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>
SPECIAL ECONOMIC ZONES
SEZs Incentives

Developers
• one time duty exemption for plant and equipment imported into for the development operation and maintenance of a SEZ entity;
• exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of ten years

Zone Enterprises
• exemption from custom duties and taxes on imports of plant and equipment into the SEZ for installation therein;
• exemption from all taxes on income for a period of ten years
GSP plus- unexplored potential

- Under GSP Plus Scheme, products produced in Pakistan can be exported to European market free of duty

- Duty free access in EU coupled with low cost of production in Pakistan, will give competitive advantage to China, if Joint Ventures are established and production base is shifted to Pakistan
Opportunities for Hong Kong

- **Infrastructure**
  - “Many Hong Kong contractors are ranked very high on a global scale and have the qualities and resources to pursue infrastructure opportunities along the belt and road”

- **Finance**
  - raise funds for the Asian Infrastructure Investment Bank (AIIB) via bond offerings, developing yuan products, or providing project financing for individual companies
Introduction to Pakistan
Thank you